



CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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**City of Portland
Socially Responsible Investments Committee
Monday, May 16, 2016**

Committee Members Present: Dave Cutler, Sayer Jones, Robert Landauer, Hyung Nam, Katrina Scotto di Carlo, Kristen Sheeran.

City Personnel Present: Kelly Ball, OMF Business Operations; Jennifer Cooperman, BRFS Treasury; Katie Shriver, Commissioner Novick's Office; Janet Storm, OMF Business Operations.

Welcome and Introductions

Kelly Ball went over the agenda, meeting schedule, and process.

Communications

Katrina Scotto di Carlo spoke about her participation on the committee at a recent conference.

MSCI Reports

Per the committee's request, 3M reports were printed for informational and comparison purposes. Due to a color printer malfunction, reports on 3M, Amazon.com, Coca Cola, Johnson & Johnson, and Nestle Holding were distributed in grayscale. While it appears that color reports are preferable, the grayscale reports cost considerably less. She will check in with the committee at the next meeting to get their feedback. If the grayscale reports are acceptable, OMF will continue printing future reports in grayscale to save money.

Committee Discussion

Follow up from April 18 Meeting

As a follow up to questions raised by the committee at the April 18 meeting, Jennifer Cooperman reported that Bank of New York Mellon had agreed to a \$180 million settlement with the Department of Justice to settle a class action lawsuit alleging that it overcharged pension funds and other clients for foreign exchange services. Bank of NY Mellon did not admit guilt. PERS and the State's Common School Fund were members in the class. The settlement has been approved but is not yet funded. Over the next few months, an administrator will decide how the \$180 million will be divided.

There was a discussion about whether the committee is charged with paying special attention to companies with a local presence, and if local presence should be considered a decisive factor in determinations on any company.

It was the consensus of the committee to continue to recommend that Bank of NY Mellon be included on the Do Not Buy (DNB) list.

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The City Attorney advised staff that committee members should cite sources on information that relates to companies and their discussions about business practices.

Berkshire Hathaway

Cooperman provided the estimated financial impact of placing Berkshire Hathaway on the City's Corporate Securities DNB List. If Berkshire Hathaway is put on the DNB List, the City could lose between \$585,000 and \$765,000 in income over a fully invested three year period.

Committee members discussed their assessment of Berkshire Hathaway and whether or not to recommend that it be placed on the DNB List.

One of the committee members had serious concerns with enough of Berkshire Hathaway practices to recommend that Berkshire Hathaway should be placed on the DNB List. Discussion included:

- Environmental concerns
 - The company's ownership of Burlington Northern Santa Fe Railroad and its involvement with coal trains and the fossil fuel industry.
 - The company's ownership of Precision Castparts, which has been accused of polluting Johnson Creek in Oregon.
- Health concerns including weapons production.
 - A Center for Public Integrity report that Clayton Homes, a Berkshire subsidiary, engaged in predatory lending and is involved in a class-action lawsuit for supplying FEMA with formaldehyde-laced trailers during Hurricane Katrina and other relief efforts.
- Concerns about corrupt corporate ethics and governance.
 - A perception that Berkshire Hathaway has been resistant to criticism and is reluctant to respond to outside and investor pressure, especially with respect to fossil fuels.
- Concerns about impacts on human rights
 - That Berkshire's investments in Petro China help to support the government in Sudan which has been blamed for genocide in Darfur.

Five of the committee members felt that the company's behavior was not egregious enough to place it on the DNB List. Discussion included:

- The company's MSCI ratings are not among the "worst of the worst" and that the company has not violated enough of the Council-approved criteria to warrant addition to the DNB list.
- For such a large company, the number of lawsuits is very small.
- The company does not appear to have any significant egregious practices.
- Holding such a large holding company accountable for the behavior of its subsidiaries is challenging.
- Berkshire Hathaway had only recently purchased Precision Castparts and had not been given the opportunity to address concerns related to the company.
- Berkshire has been responsive to concerns about coal trains and dam removal and is taking steps to make improvements in both areas.

The group voted, as consensus was not able to be reached. The committee determined 6-1 to recommend that Berkshire Hathaway would not be recommended for the DNB List. Hyung Nam voted in opposition.

BlackRock

Cooperman provided the estimated financial impact of placing BlackRock on the City's Corporate Securities DNB List. If BlackRock is put on the DNB List, the City could lose between \$875,000 and \$1.148 million in income over a fully invested three year period.

There was consensus that the BlackRock would not be recommended for the DNB List.

Discussion included:

- The MSCI reports did not show enough severe issues related to Council principles to merit a recommendation for inclusion on the DNB List.
- Though BlackRock has some issues, they do not appear to be the subject of any targeted investor campaigns.
- According to the MSCI reports, there are no pressing reasons to add them to the DNB list.
- Most of the conglomerate's assets seem to be passively managed.
- BlackRock has been sensitive to ESG concerns and has done a good job of evolving.

Focused Public Input: Amazon.com, Coca Cola, Johnson & Johnson and Nestle

The Committee took focused public comment. Comments included that Amazon.com engages in activities that exercise such a level of market dominance that they disrupt normal competitive markets and put small businesses and suppliers out of business. Comments from: Sarah Shaoul, Black Wagon.

General Public Comment

There were no general public comments.

Next Steps

The June meeting will include:

- Public comment on Credit Suisse, ING Group/ING Bank, Mitsubishi UFJ Bank of Tokyo, Mitsubishi UFJ Financial Group, Inc., Mitsubishi UFJ Union Bank, Societe Generale, and Sumitomo Corporation.
- Committee discussion of Amazon.com, Coca Cola, Johnson & Johnson and Nestle.

More information and a full meeting schedule is available at <http://www.portlandoreogn.gov/omf/sric>.